

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

SB 474 - HB 383

March 17, 2013

SUMMARY OF BILL: Deletes the provision in current law that prohibits the retail package liquor stores from owning more than one store.

ESTIMATED FISCAL IMPACT:

Increase State Revenue – Net Impact -

\$9,200/ABC Fund/FY13-14

\$12,600/ABC Fund/FY14-15

Exceeds \$13,400/ABC Fund/FY15-16 and Subsequent Years

\$54,900 General Fund/FY13-14

\$89,200/General Fund/FY14-15

Exceeds \$103,000/General Fund/FY15-16 and Subsequent Years

Increase Local Revenue – Net Impact –

\$22,400/FY13-14

\$36,400/FY14-15

Exceeds \$42,000/FY15-16 and Subsequent Years

Assumptions:

- There will be eight new applicants in the first year, five new applicants in the second year, and a minimum of two new applicants each year thereafter. It is assumed these businesses would not have applied in the absence of this bill.
- The one-time application fee for new licensees is \$300. The annual license fee is \$850.
- The increase in state revenue from application fees in FY13-14 is estimated to be \$2,400 (\$300 x 8). The increase in state revenue from application fees in FY14-15 is estimated to be \$1,500 (\$300 x 5). The recurring increase in state revenue from application fees beginning in FY15-16 is estimated to exceed \$600 (\$300 x 2). All application fee revenue is deposited into the ABC Fund.
- The increase in state revenue from annual license fees in FY13-14 is estimated to be \$6,800 (\$850 x 8). The increase in state revenue from annual license fees in FY14-15 is estimated to be \$11,050 [(\$850 x 8) + (\$850 x 5)]. The recurring increase in state revenue from annual license fees beginning in FY15-16 is estimated to exceed \$12,750

$[(\$850 \times 8) + (\$850 \times 5) + (\$850 \times 2)]$. All annual license fee revenue is deposited into the ABC Fund.

- The increase in state revenue to the ABC Fund is estimated to be \$9,200 ($\$2,400 + \$6,800$) in FY13-14; \$12,550 ($\$1,500 + \$11,050$) in FY14-15; and an amount exceeding \$13,350 ($\$600 + \$12,750$) in FY15-16 and subsequent years.
- FY11-12 state sales tax collections from liquor stores totaled \$50,452,989. FY10-11 state sales tax collections from liquor stores totaled \$46,892,723. A difference of \$3,560,266 ($\$50,452,989 - \$46,892,723$).
- Based upon information provided by the Alcoholic Beverage Commission, there were approximately 50 new package liquor store applications approved in FY10-11.
- The average increase in state sales tax collections per entity is estimated to be \$71,205 ($\$3,560,266 / 50$).
- For new package store businesses created only as a result of this bill, it is assumed that 10 percent of sales occur as a direct result of this bill; the remaining 90 percent of sales are assumed to have occurred at other stores in the absence of the bill. As a result, the net increase in state sales tax revenue attributable to each new package store is estimated to be \$7,121 ($\$71,205 \times 10\%$).
- The increase in state sales tax revenue attributable to eight new stores in FY13-14 is estimated to be \$56,968 ($\$7,121 \times 8$). The increase in state sales tax revenue attributable to 13 new stores in FY14-15 (8 from FY13-14 and 5 from FY14-15) is estimated to be \$92,573 [$(\$7,121 \times 8) + (\$7,121 \times 5)$]. The recurring increase in state sales tax revenue attributable to a minimum 15 new stores in FY15-16 and subsequent years (8 from FY13-14, 5 from FY14-15, and a minimum of 2 from FY15-16 and each year thereafter) is estimated to exceed \$106,815 [$(\$7,121 \times 8) + (\$7,121 \times 5) + (\$7,121 \times 2)$].
- Pursuant to Tenn. Code Ann. § 67-6-103(a)(3)(A), local governments receive 4.603 percent of state sales tax revenue as state-shared sales tax revenue.
- Pursuant to Tenn. Code Ann. § 67-6-103(q), no portion of revenue derived from the 0.5 percent sales tax rate increase, from 5.5 percent to 6.0 percent (effective April 1, 1992), or the 1.0 percent sales tax rate increase, from 6.0 percent to 7.0 percent (effective July 15, 2002), shall be distributed to local government.
- The effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617% [$(5.5\%/7.0\%) \times 4.603\%$].
- The net increase in state sales tax collections in FY13-14 is estimated to be \$54,907 [$\$56,968 - (\$56,968 \times 3.617\%)$]; in FY14-15 is estimated to be \$89,225 [$\$92,573 - (\$92,573 \times 3.617\%)$]; and in FY15-16 and subsequent years is estimated to exceed \$102,952 [$\$106,815 - (\$106,815 \times 3.617\%)$].
- The increase in local government revenue pursuant to the state-shared allocation is estimated to be \$2,061 ($\$56,968 \times 3.617\%$) in FY13-14; \$3,348 ($\$92,573 \times 3.617\%$) in FY14-15; and \$3,863 ($\$106,815 \times 3.617\%$) in FY15-16 and subsequent years.
- The state sales tax rate is 7.0 percent; the average local option sales tax rate is estimated to be 2.5 percent.
- The total increase in local option sales tax revenue attributable to new stores is estimated to be \$20,346 [$(\$56,968 / 7.0\%) \times 2.5\%$] in FY13-14; \$33,062 [$(\$92,573 / 7.0\%) \times 2.5\%$] in FY14-15; and \$38,148 [$(\$106,815 / 7.0\%) \times 2.5\%$] in FY15-16 and subsequent years.

- The total increase in local government revenue is estimated to be \$22,407 (\$2,061 + \$20,346) in FY13-14; \$36,410 (\$3,348 + \$33,062) in FY14-15; and an amount estimated to exceed \$42,011 (\$3,863 + 38,148) in FY15-16 and subsequent years.
- Any increase in state expenditures to provide oversight to the additional stores is estimated to be not significant.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "Lucian D. Geise". The signature is fluid and cursive, with the first name "Lucian" written in a larger, more prominent script than the last name "Geise".

Lucian D. Geise, Executive Director

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